

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 524 - SB 690**

March 12, 2009

**SUMMARY OF BILL:** Requires the Department of Finance and Administration to establish a pilot program which creates a primary health care clinic for use by state employees and their dependents in each of the three grand divisions of the state. The clinics are to be funded with a portion of premiums paid by the state employees and employees may not be charged for the use of services.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$830,700/One-Time**

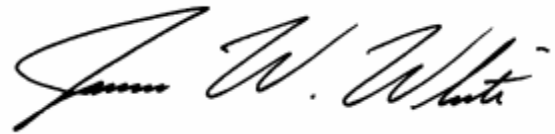
Assumptions:

- It is estimated that the cost of operating a primary health care clinic will be similar to the operating cost of the employees' health clinic operated by the Department of Health. The current annualized expenses for this clinic are \$337,700. Three clinics at this level are estimated to increase expenditures by \$1,013,100 ( $\$337,700 \times 3$ ).
- According to the Department of Finance and Administration, the insurance coverage would pay 90 percent, or \$911,790 ( $\$1,013,100$ ), of the cost of the treatment. Of that amount, the state will pay for 80 percent, or \$729,432, with state employees covering the remaining 20 percent, or \$182,358, through premiums.
- The bill specifically states that state employees shall not be charged for services. The remaining 10 percent, or \$101,310 ( $\$1,013,100 \times 10\%$ ), of the cost for the clinics will be paid by the state resulting in a total increase in state expenditures of \$830,742 ( $\$729,432 + \$101,310$ ).
- The program will be for one year at which time the program will be evaluated as to its success in containing health care costs to the state employee health insurance plan.
- The pilot program could lead to a decrease in claims filed with the state health plan due to employees receiving treatment at the clinics and participating in wellness programs. The resulting decrease in expenditures is difficult to estimate due to a number of factors which include the number of participants in the program, services provided at

the clinics, and the types of treatments that are needed. It is estimated that any savings incurred during the one year pilot program will not be significant.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/kml